KONGSBERG

QUARTERLY REPORT

2ND QUARTER
1ST HALF 2017

KOG

We are making considerable efforts to position ourselves and adapt to the current maritime market and the opportunities that lie in front of us. In the short term, we are working on measures relating to cost and working capital to ensure that we stay competitive, profitable and have a positive cash flow. In the longer term, we will continue innovating and restructuring to further strengthen our strategic position for future-oriented solutions and concepts. Within the defence segments our products and solutions are well positioned for major contracts. Our order intake for the defence segment is expected to grow over the next quarters and strengthen the Group's total order backlog.

Geir Håøy, President & CEO

HIGHLIGHTS

KOG

Restructuring costs in KM, repurchase of currency hedges and reversal of provisions in KPS gives a total negative effect of MNOK 128 in the quarter. However, the underlying performance is solid and projects are on schedule. Free cash flow (before change in debt and dividend) amounting to NOK 1 billion in the first half of the year.

KM

Operational measures to reduce cost base and working capital strengthens KM's competitiveness and secures profitability in a difficult market situation. Contracts for strategically important, future-oriented solutions have been signed this quarter.

KDS

The large delivery projects are on schedule. Well positioned for major contracts.

KPS

Project deliveries are going according to plan. Major new contracts are somewhat further ahead in time.

OTHER

KDI continues its market positioning and has signed strategically important contracts with key players in the market this quarter.

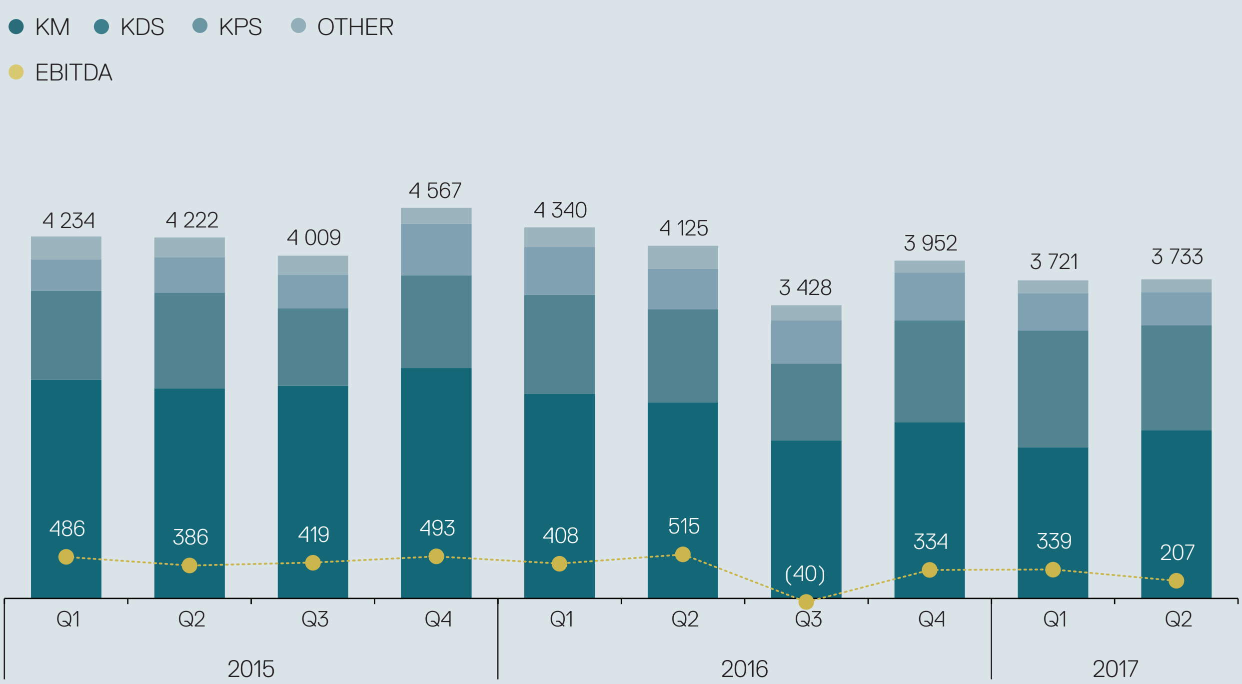
KEY FIGURES

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
Operating revenues	**3 733**	4 125	**7 454**	8 465	15 845
EBITDA	**207**	515	**546**	923	1 217
EBITDA (%)	**5,5**	12,5	**7,3**	10,9	7,7
EBIT	**91**	383	**311**	666	692
EBIT (%)	**2,4**	9,3	**4,2**	7,9	4,4
Earnings before tax	**72**	364	**260**	663	729
Earnings after tax	**63**	306	**210**	533	651
EPS (NOK)	**0,53**	2,54	**1,75**	4,44	5,44
New orders	**2 535**	3 491	**5 986**	7 240	14 319

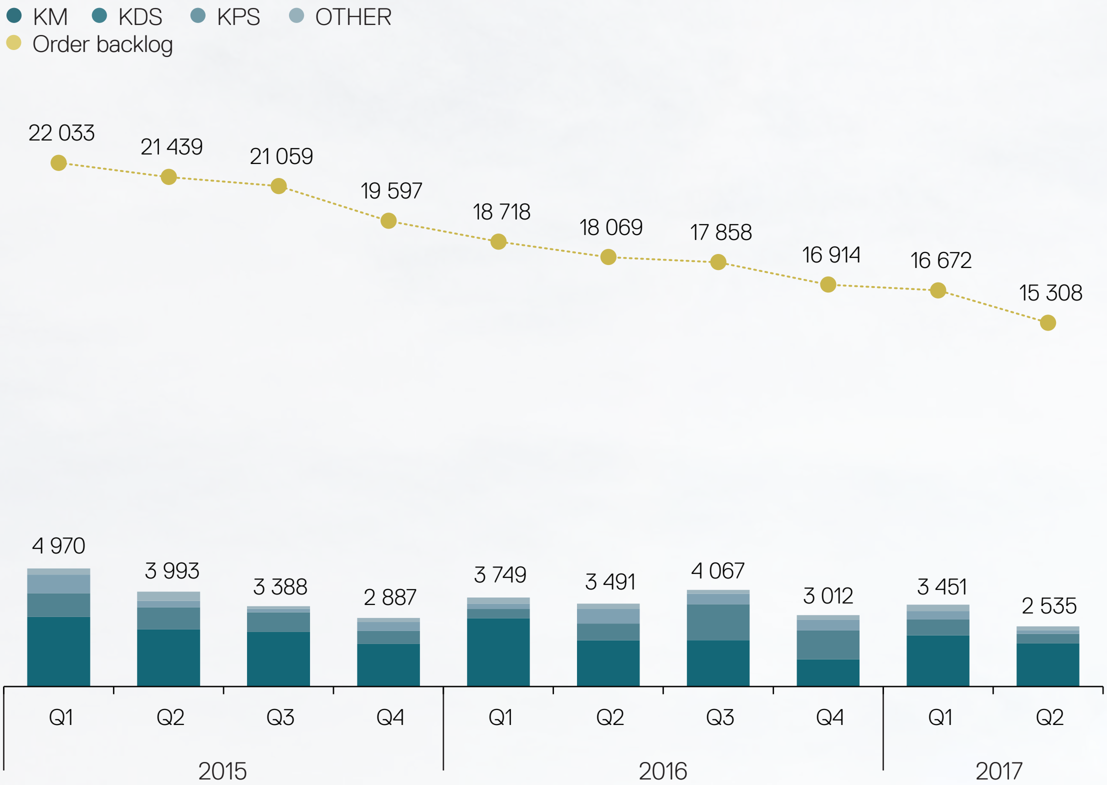
	30.6.	31.3.	31.12.
MNOK	**2017**	2017	2016
Equity ratio (%)	**32,4**	32,1	31,7
Net interest-bearing debt	**1 642**	1 898	2 195
Working capital [1)]	**1 772**	2 303	2 533
ROACE (%) [2)]	**3,1**	5,8	6,9
Order backlog	**15 308**	16 672	16 914
No. of employees	**6 908**	6 972	7 159

[1)] *Current assets deducted by cash and cash equivalents, non-interest bearing short-term debt, except payable tax, and financial instruments at book value. The definition has been changed as of Q2 2017.*
[2)] *12 month rolling EBIT divided by 12 month average equity and interest bearing debt*

OPERATING REVENUES & EBITDA

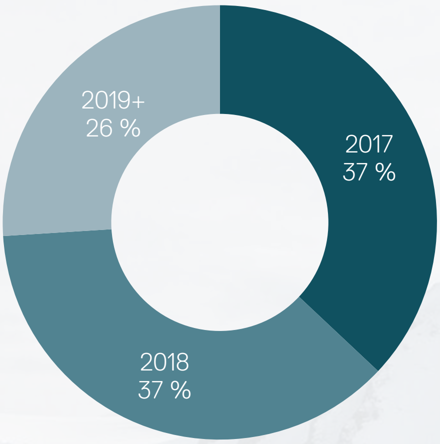


NEW ORDERS & ORDER BACKLOG

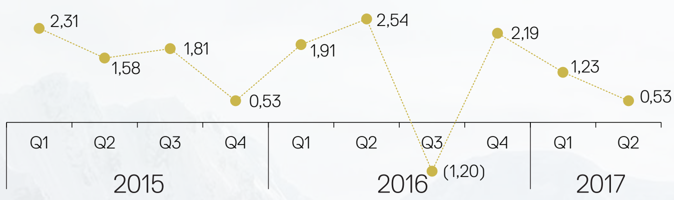


ORDER BACKLOG

Breakdown by delivery dates



EPS



PERFORMANCE, MARKET AND ORDERS

Group operating revenues for Q2 are MNOK 3.733, which is 9.5 per cent down compared to the same quarter last year, but at the same level as Q1. KM's operating revenues are down 14.2 per cent compared to the same quarter last year, which is chiefly because of a reduction in product deliveries to the offshore market. KPS sees a 18.4 per cent reduction from Q2 last year, which is mainly due to a relatively low delivery volume for new weapon stations. KDS has 12.7 per cent higher operating revenues compared to the same quarter last year.

The quarterly EBITDA margin is 5.5 per cent, including restructuring costs of MNOK 68 in KM and net negative effects of MNOK 60 in KPS, associated with the repurchase of forward exchange contracts and reversal of provisions. In Q2 last year, the EBITDA margin was 12.5 per cent, which includes MNOK 42 in net positive effects from sale of shares and restructuring costs. KDS has a lower margin than in Q2 last year, which is mainly due to a somewhat lower share of net income from Patria.

The new orders in Q2 was MNOK 2.535, which gives a book/bill of 0.68. The order backlog at the end of the quarter is MNOK 15.308. The order backlog can vary considerably over time as a result of large single orders within the defence sector, and it is low at the moment. The order intake within the defence segment is expected to be higher in the second half of 2017 than in the first half.

Accumulated revenues in 2017 are MNOK 7.454, which is 11.9 per cent lower than the same period last year. KM and KPS have lower operating revenues compared to the same period last year, while KDS sees growth. The EBITDA margin is 7.3 per cent, compared to 10.9 per cent in the same period last year. KM and KPS contribute the most to this negative development, but KDS has also a somewhat lower margin compared to 2016. Net negative effects from restructuring in KM and the repurchase of forward exchange contracts and reversal of provisions in KPS amount to MNOK 139 so far this year, compared to the net positive effects from sale of shares and restructuring costs of MNOK 34 in the same period last year.

WORKING CAPITAL

As part of the focus on efficient and profitable operation continuous efforts are being made to optimise working capital across the Group. This has been a special priority for KM in connection with the restructuring process in the last quarters. Considerable effects have been realised through the reduction of inventories and accounts receivable, with a higher relative reduction in the past 12 months compared to the decrease in operating revenues. KM's working capital is so far in 2017 reduced by about MNOK 600, while the Group's total working capital is reduced by MNOK 761.

CASH FLOW

KONGSBERG has a net increase in cash and cash equivalents in Q2 of MNOK 65, and an accumulated net increase of MNOK 369 in 2017. In the quarter, a dividend of MNOK 450 was paid to the shareholders. The quarterly cash flow from reduced working capital is MNOK 531, which is mainly down to the improved working capital in KM. In Q2 the outstanding MEUR 53 in the bridge facility stemming from the purchase of shares in Patria Oyj was repaid. In the same quarter a loan certificate of MNOK 300 was issued, leading to a net reduction in interest-bearing debt of MNOK 184.

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
EBITDA	**207**	515	**546**	923	1 217
Change in net current assets and other operating related items	**619**	(451)	**800**	(971)	(408)
Net cash flow from operating activities	**826**	**64**	**1 346**	**(48)**	**809**
Net cash flow from investing activities	**(142)**	(2 757)	**(286)**	(3 000)	(3 343)
Net cash flow from financing activities	**(612)**	2 762	**(707)**	2 710	2 668
Effect of changes in exchange rates on cash and cash equivalents	**(7)**	(1)	**16**	(33)	(53)
Net change in cash and cash equivalents	**65**	**68**	**369**	**(371)**	**81**

BALANCE SHEET

Interest-bearing debt at the end of Q2 consists of six bond loans amounting to MNOK 3,507, a loan certificate issued in Q2 of MNOK 300 with maturity in Q4 and other interest-bearing debt of MNOK 92. The bond loan KOG06 will mature in Q3, with an outstanding amount of MNOK 257. In Q2 the outstanding MEUR 53 in the bridge facility stemming from the purchase of shares in Patria Oyj was repaid. See Note 5 as well. At the end of Q2, the group has MNOK 2.257 in cash and cash equivalents and a net interest-bearing debt of MNOK 1.642.

In addition, the group has a syndicated loan facility of NOK 2.3 billion and an overdraft of MNOK 500. At the end of Q2, these had not been drawn upon.

The equity ratio at the end of Q2 is 32.4 per cent. The equity book value is down by MNOK 69 this quarter. Accumulated equity is up by MNOK 93 so far in 2017. In Q2 a dividend of MNOK 450 was paid to the shareholders.

	30.6.	31.3.	31.12.
MNOK	**2017**	2017	2016
Equity	**6 818**	6 887	6 725
Equity ratio (%)	**32,4**	32,1	31,7
Total assets	**21 056**	21 482	21 196
Working capital	**1 772**	2 303	2 533
Gross interest-bearing liabilities	**3 899**	4 090	4 083
Cash and cash equivalents	**2 257**	2 192	1 888
Net interest-bearing liabilities	**1 642**	1 898	2 195

CURRENCY

KONGSBERG has a currency policy that means that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, the Group hedges a portion of the expected new orders according to the established policy (cash flow hedges). In this manner, the Group seeks to mitigate the effects of currency fluctuations over a period of up to two years. At the end of the quarter, the company's portfolio of cash flow hedges has a fair value of minus MNOK 410, which has a negative impact on the equity book value. The change in fair value from Q1 is affected by the repurchase of forward exchange contracts in KPS. See Note 5 as well.

PRODUCT DEVELOPMENT

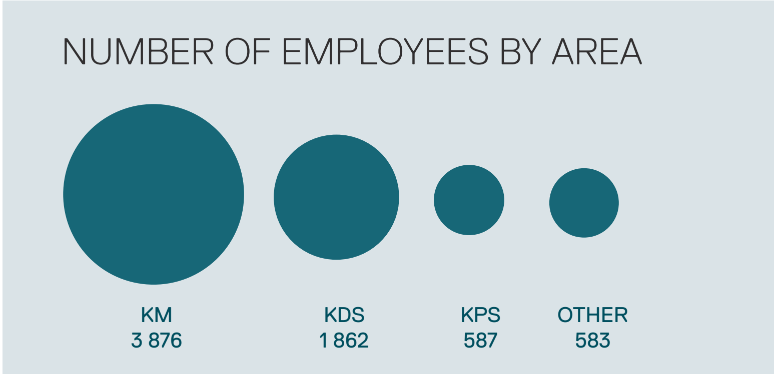
KONGSBERG continuously invests in product development, both through internally financed and customer-funded programmes. The Group has expensed MNOK 240 in Q2 for product development and maintenance. In addition, MNOK 46 has been capitalised. Self-financed product development and maintenance in Q2 amounted to MNOK 286. So far this year, MNOK 479 has been expensed for product development and maintenance, while MNOK 100 has been capitalised. See the table in Note 6.

The largest capitalised projects are related to the development of the JSM missile, weapon stations (including the MCT-30) and remote towers for airports, all of which are within the defence segment, and within the new integrated vessel solutions in KM called "Triangle".

Customer-financed development comes in addition, either as part of delivery projects or as specific development assignments. Over time, the total costs of product development and maintenance account for about 10 per cent of the operating revenues.

HUMAN RESOURCES

KONGSBERG has 6.908 employees at the end of the quarter, with about 35 per cent of them being employed in companies outside of Norway. The number of employees has been reduced by 64 this quarter, mainly due to workforce reductions in KM.



OTHER ACTIVITIES

Other activities consist of Kongsberg Digital (KDI) in addition to eliminations and external operating revenues from the real estate business.

KDI was established in 2016 as an important step in the development of the next generation of digital products and services. The main focus has so far been on developing the digital platform "Kognifai", which was launched in Q1. Moreover, building the organisation and positioning within central markets such as oil and gas, maritime and energy with new, future-oriented digital solutions have been prioritised tasks.

OTHER MATTERS

New CFO of KONGSBERG

Gyrid Skalleberg Ingerø has been appointed new Chief Financial Officer (CFO) and Executive Vice President of KONGSBERG. Skalleberg Ingerø joins KONGSBERG from the position of CFO of Telenor Digital Businesses and has extensive management experience, both as CFO in public listed companies and from auditing and financial advisory. Prior to her current position, Skalleberg Ingerø was CFO of Telenor Norway and she has previously held the position of CFO and head of investor relations at Komplett ASA and as auditor at Nordea and KPMG. She holds broad board experience from several companies and organisations, and is currently board member of amongst other Storebrand ASA, Sporveien AS and Flytoget AS. Skalleberg Ingerø assumes the position upon agreement. Interim CFO Harald Aarø will continue in the position until Skalleberg Ingerø assumes the position.

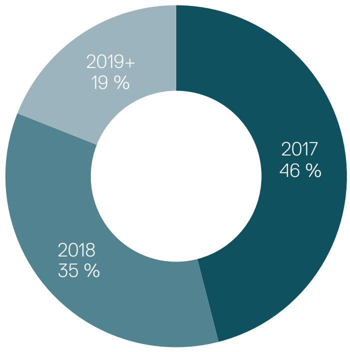
KM

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
Revenues	**1 969**	2 294	**3 737**	4 689	8 597
EBITDA	**69**	216	**222**	466	280
EBITDA (%)	**3,5**	9,4	**5,9**	9,9	3,3
New orders	**1 813**	1 943	**3 973**	4 827	7 940

	30.6.	31.3.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**5 197**	5 519	5 137
No. of employees	**3 876**	3 971	4 157

ORDER BACKLOG

Breakdown by delivery dates



PERFORMANCE

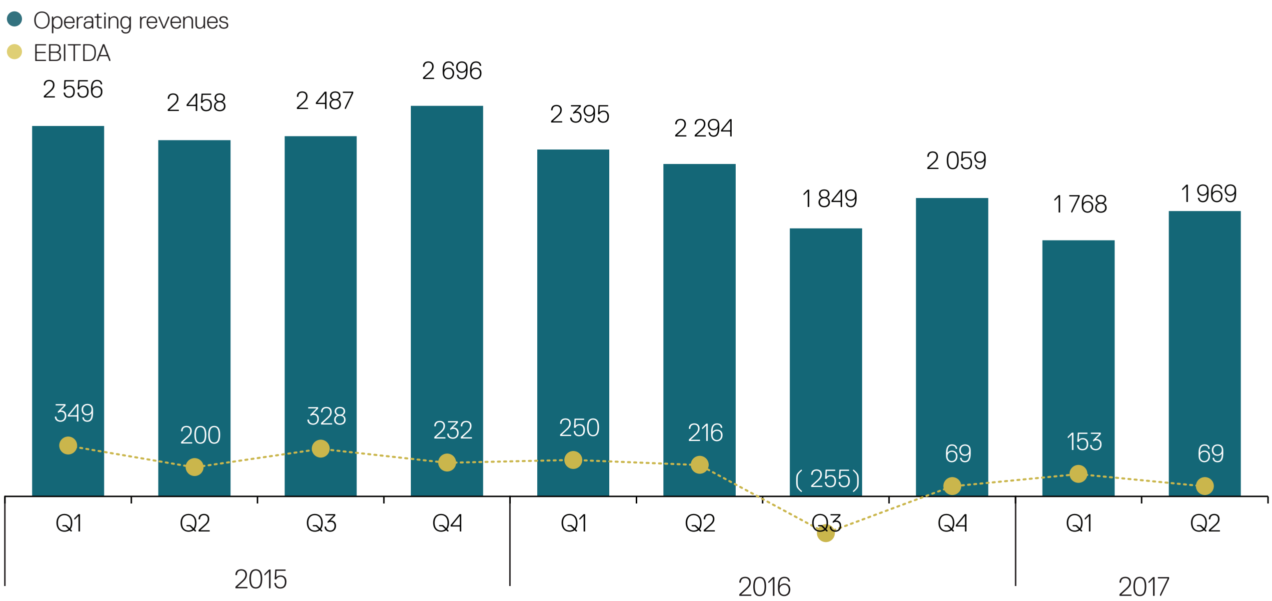
The operating revenues in Q2 were MNOK 1.969, which is up 11.4 per cent from Q1, but 14.2 per cent down compared to the same quarter last year. The reduction in operating revenues compared to 2016 is chiefly due to a lower volume of product deliveries to the offshore market. The increase from Q1 us mainly due to higher activity in the after-market and subsea segment.

The quarterly EBITDA is MNOK 69, corresponding to an EBITDA margin of 3.5 per cent, and includes restructuring costs of MNOK 68. In the same quarter last year, KM had restructuring costs amounting to MNOK 5.

Operating revenues in the first half of the year were MNOK 3.737, which is down 20.3 per cent compared to the same period last year. The reduction is driven by the very weak offshore market. The EBITDA margin is 5.9 per cent, compared to 9.9 per cent last year. So far in 2017, MNOK 79 in restructuring costs has been recognised, compared to MNOK 30 in the same period last year.

KM's cost base has been reduced considerably over the past two years. Since 2015, major adjustments of the organisation and the capacity have reduced both the fixed and variable expenses. Further workforce reductions were announced and initiated in Q2. In

OPERATING REVENUES & EBITDA



addition, measures were implemented for improving the working capital in the projects. This has been necessary both for aligning with lower demand in certain markets and intensified competition. The market is still challenging. However, as a result of the big changes that have been carried out already, and/or ones that are still in progress, both the organisation and the business model are more robust and better adjusted to the current market situation and the forecasted development.

MARKET AND ORDERS

The order intake in Q2 was MNOK 1.813, which gives a book/bill of 0.92.

KM has in the last quarters won strategically important contracts within the four technological development areas identified by the Group in the maritime market:

- In Q2 a contract was signed with German company Fassmer Werft for the delivery of a unique technical solution to Atair II, the world's first state owned LNG driven research vessel and the first new ship that makes use of KONGSBERG's integrated concept for research vessels. The delivery includes operational and hydrographic systems in addition to energy functionality that enables seamless sharing of information, better efficiency and long-term life-cycle benefits. KONGSBERG has previously delivered integrated vessel solutions to Norway's new research vessel, Dr. Fridtjof Nansen, that entered into operation in the first part of 2017. The deliveries included hydrographic systems, navigation and automation systems as well as dynamic positioning.
- In May a collaboration with Yara for building the world's first autonomous, electric and emission-free container ship, the Yara Birkeland, was announced. Operation is scheduled to start in the second half of 2018, with completely autonomous operation forecasted in 2020. KONGSBERG is responsible for developing and supplying all key technology on board the ship, including control systems, sensors and necessary integration for remote and autonomous operations, as well as electrical propulsion, batteries and control systems. With autonomous operation one has the advantage of being able to design the vessel solely for the purpose of the operation, excluding facilities for the crew on board. The ship entails the commercialisation of technology that will be an important contribution to the world's ability to meet the UN's sustainability goals. Yara's new vessel will reduce NOx and CO2 emissions while at the same time improving road safety by removing up to 40,000 trucks per year from roads in populated and urban areas.

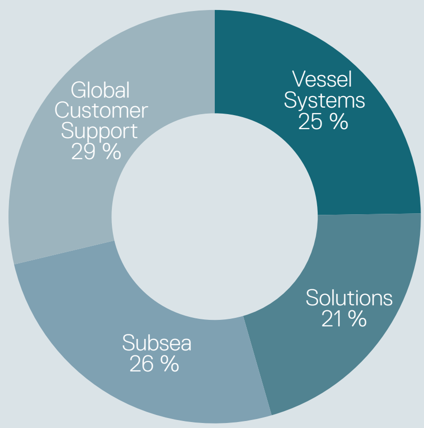
KM's after-market revenues are not included in the business area's order backlog. KM has a well-established after-market network that serves more than 18,000 vessels with KM equipment, and the after-market activities amount to around a third of KM's turnover.

KM's core markets are going through big changes, and the technological development is broadly following four tracks:

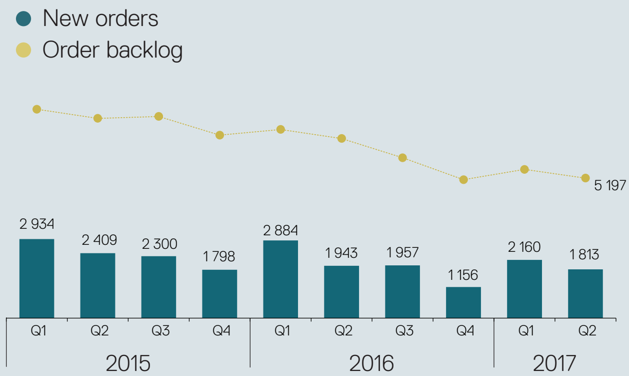
1. Integrated solutions: Ship control, power distribution and handling equipment are supplied as more integrated solutions than before, and this contributes to more efficient and secure operation, lower energy consumption and more centralised control of the entire vessel operation.
2. Digitalisation: Contributes to better decision support and better control of the technical status on board, which in turn reduces costs and downtime. There is an increasing demand for secure data connections between the vessel and on-land facilities.
3. Remote control solutions and services: Access from land to on-board sensors enables remote troubleshooting and adjustment, where the experts can do their work from on-land support centres instead of having to be on the actual vessels. Remote control of vessel operation will come.
4. Autonomous vessels: Installation of systems for remote control will enable regular operation to become autonomous, with competent expertise available at on-land support centres ready to intervene in ongoing operations if needed.

OPERATING REVENUES

YTD by division



ORDERS



KDS

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
Revenues	**1 227**	1 089	**2 592**	2 245	4 336
EBITDA	**204**	217	**391**	359	801
EBITDA (%)	**16,6**	19,9	**15,1**	16,0	18,5
New orders	**411**	712	**1 080**	1 097	3 819

	30.6.	31.3.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**6 579**	7 394	8 076
No. of employees	**1 862**	1 844	1 837

PERFORMANCE

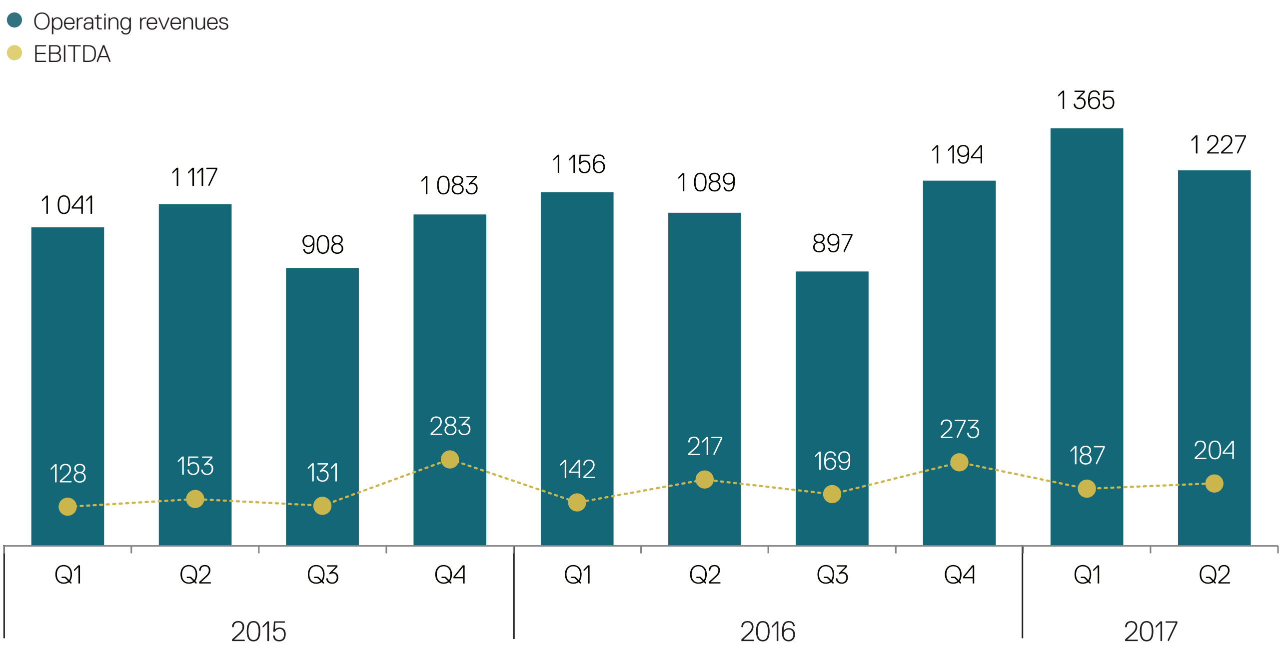
Q2 operating revenues were MNOK 1.227, which is up 12.7 per cent compared to the same quarter last year.

EBITDA is MNOK 204, corresponding to an EBITDA margin of 16.6 per cent. EBITDA includes a MNOK 24 share of net income from Patria. In Q2 last year the share of net income from Patria was MNOK 60.

Operating revenues in the first part of 2017 are MNOK 2.592, which is up 15.5 per cent compared to the same period last year. All divisions are on the same level or better than the same period last year. The EBITDA margin is 15.1 per cent, which is about one percentage point lower than the same period last year, chiefly due to a MNOK 38 share of net income from Patria.

The large delivery projects and development projects are on schedule.

OPERATING REVENUES & EBITDA



MARKET AND ORDERS

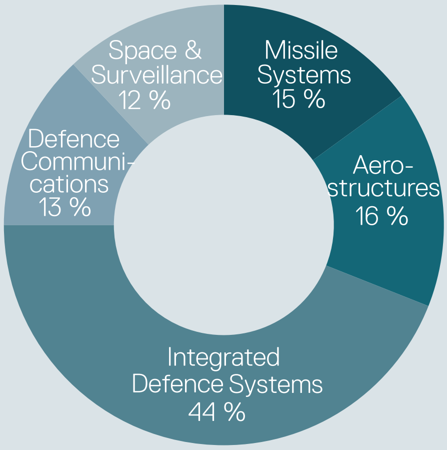
The amount for new orders in Q2 was MNOK 411. A contract worth MNOK 150 was signed this quarter with the Australian Department of Defence for the integration of a new sensor capability in Joint Strike Missile (JSM), enabling the missile to detect targets based on their electronic signatures. This contract lets Australia take part in the development of JSM, and the partnership with KONGSBERG will further enhance JSM performance. This quarter, Australian authorities announced that they will be acquiring NASAMS air defence for the Australian Army through a Single Supplier Limited Tender process with Raytheon Australia, with KONGSBERG as the main sub-supplier.

KDS has a product portfolio that is well positioned to meet future needs and expected market development. There is considerable interest for KONGSBERG's missiles and air defence systems. There is high market activity in relation to several large programmes both in Europe, the USA and Asia. KONGSBERG is the largest supplier of equipment and services for the aerospace industry in the Nordic region, and the activity in this segment is growing.

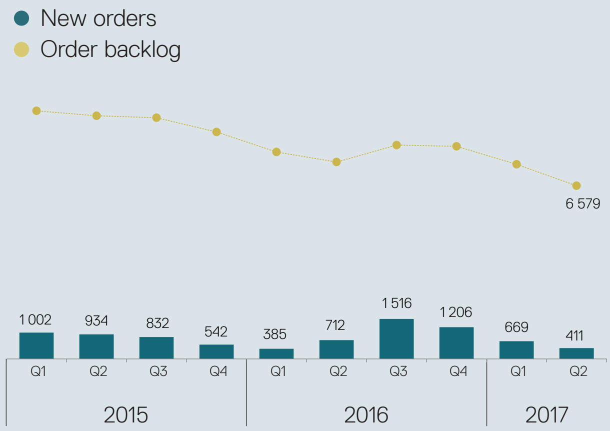
The defence market is characterised by relatively few, but large contracts. Hence, fluctuations in amount of new orders are regarded to be normal. The order intake in the last quarters shows this, and it has resulted in a decreasing order backlog. KONGSBERG is currently in negotiations on several larger programs, something that is expected to improve the order backlog over the next quarters. Decisions about defence investments are often time consuming. The customers of large defence systems are the defence authorities in the countries in question. These customers consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment.

OPERATING REVENUES

YTD by division

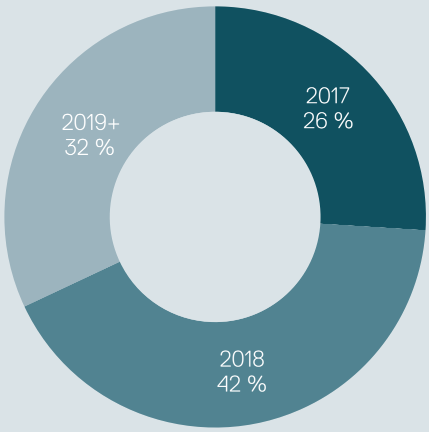


ORDERS



ORDER BACKLOG

Breakdown by delivery dates



KPS

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
Revenues	**385**	472	**824**	1 031	2 096
EBITDA	**(44)**	20	**(18)**	79	126
EBITDA (%)	**(11,4)**	4,2	**(2,2)**	7,7	6,0
New orders	**157**	608	**512**	831	1 705

	30.6.	31.3.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**2 602**	2 829	2 912
No. of employees	**587**	597	600

PERFORMANCE

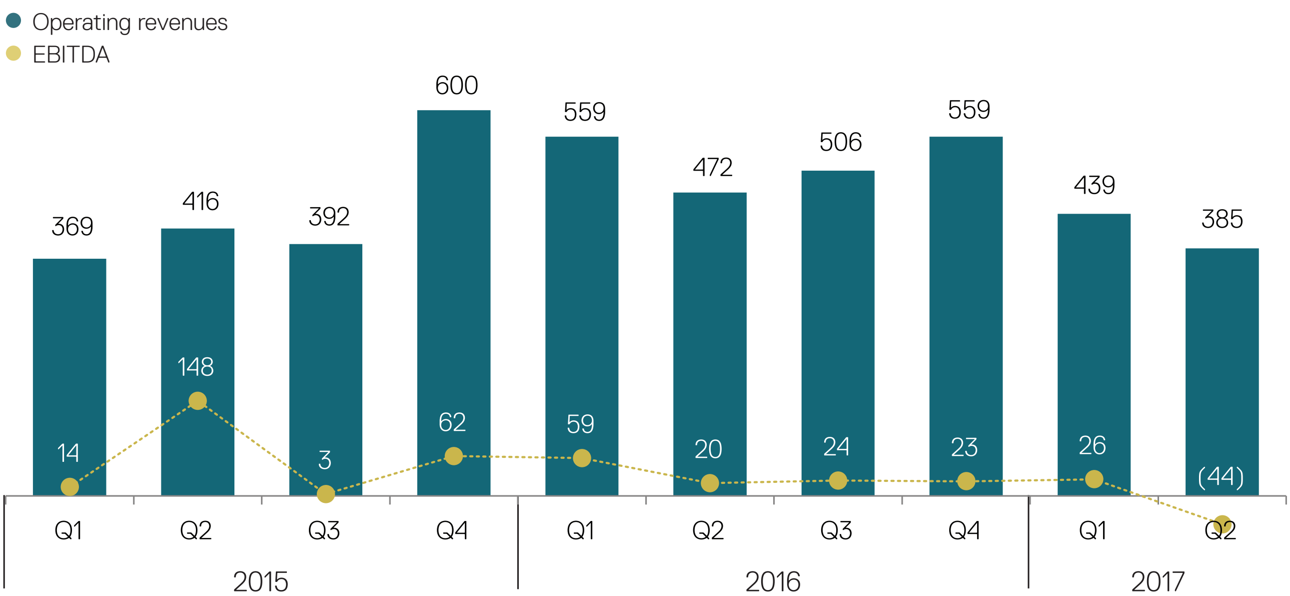
KPS has operating revenues of MNOK 385 in Q2, which is 18.4 per cent down compared to the same quarter last year, which is mainly due to a lower delivery volume for new weapon stations.

EBITDA is minus MNOK 44, corresponding to an EBITDA margin of minus 11.4 per cent. The result includes net negative effects of MNOK 60 associated with repurchase of forward exchange contracts and reversal of provisions. Activity is high within market and product development, especially in connection with the medium calibre investment that will deliver an important contribution to the business area's development in the years to come.

Operating revenues in the first part of 2017 are MNOK 824, which is 20,1 per cent down compared to the same quarter last year, mainly due to lower delivery volumes for weapon stations. The EBITDA margin is minus 2.2 per cent and includes the above mentioned effects.

The project deliveries are on schedule.

OPERATING REVENUES & EBITDA



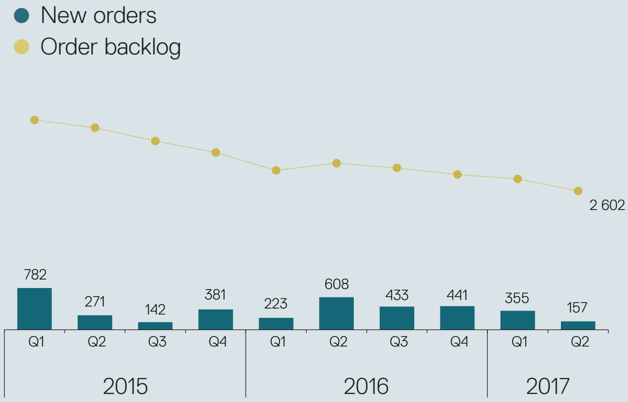
MARKET AND ORDERS

The amount for new orders in Q2 was MNOK 157. No major single contracts have been signed this quarter.

There is still high activity in the market, but many projects are delayed because of complex decision processes on the customer side.

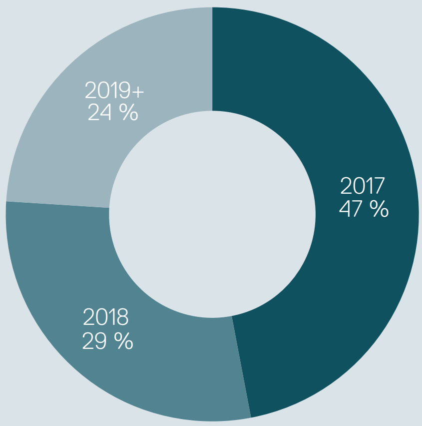
During the last 15 years, KPS has grown to become the world's leading supplier of remotely controlled weapon stations. More than 18,500 systems have been sold to customers in 18 countries. The US Army is, both directly and via vehicle suppliers, the largest customer. In 2017 the work continues to maintain KPS's position in the USA in order to ensure continued contracts for CROWS after 2017. At the same time there will be a continued focus on growth in the after market and on establishing new positions in the market for RWS outside of the USA.

ORDERS



ORDER BACKLOG

Breakdown by delivery dates



PATRIA

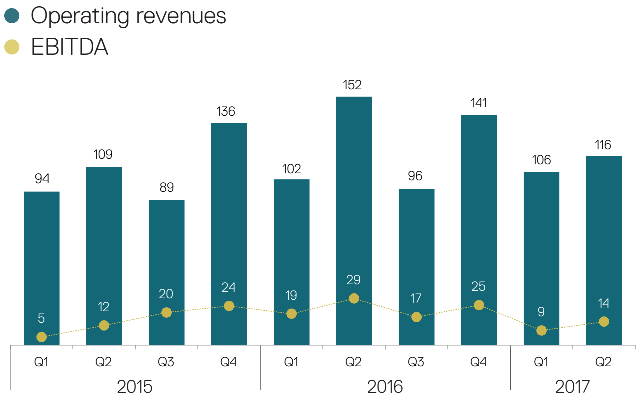
Patria is Finland's leading supplier of technology solutions and maintenance services within defence, security and aviation. The company has an international organisation with about 2,800 employees and owns 50 per cent of the shares in Nammo. KONGSBERG owns 49.9 per cent of the shares in Patria.

HIGHLIGHTS

- Lower operating revenues and results compared to the same quarter last year, which for a large part is related to the vehicle segment having a particularly strong Q2 last year.
- Operating revenues in the second half of the year are expected to be on the same level as last year.
- Patria's new executive management is taking measures to secure a more efficient and streamlined organisation at the same time as the company maintains its market activities to exploit the big opportunities lying ahead.

OPERATING REVENUES & EBITDA (100%)

MEUR



KEY FIGURES (100%)

	1.4. - 30.6.		1.1. - 30.6.		
MEUR	**2017**	2016	**2017**	2016	2016
Operating revenues	**116**	152	**222**	254	490
EBITDA	**14**	29	**23**	48	90
EBITDA (%)	**12**	19	**11**	19	18
Net income after tax	**9**	20	**12**	32	63
New orders	**51**	50	**171**	150	269
Order backlog	**804**	974	**804**	974	858

BRIDGE BETWEEN EBITDA AND KONGSBERG'S SHARE OF NET INCOME AFTER TAX

	1.4. - 30.6.		1.1. - 30.6.		24.5. - 31.12.	
	2017		2017		2016	
Millions	EUR	NOK	EUR	NOK	EUR	NOK
EBITDA	14		23		60	
Financial items, taxes, depreciations and amortisation	(5)		(11)		(16)	
Net income after tax	9		12		44	
KONGSBERG's share of net income in the period (49.9 %) [1)]		36		46		183
Amortisation of excess values after tax		(12)		(24)		(40)
Share of net income recognised in KDS for the period		**24**		**22**		**143**

[1)] *Share of Patria's net income after tax adjusted for minority interests*

OUTLOOK

Kongsberg Maritime has seen a considerable decrease in contracting of deliveries for new offshore vessels, and the activity has dropped significantly in this segment. KM has established a strong position within complex, integrated solutions and sees growth in this area. The subsea segment and life cycle activity is on a relatively stable level. The underlying earning levels depend on the project composition, market conditions and the implementation of the extensive reorganisation that the business area has initiated. There will be a continued strong focus on ensuring profitable and efficient operation. Lower operating revenue is expected for 2017 compared with 2016.

The defence areas are well positioned for considerable contract opportunities going forward. The Group is considering measures for further strengthening the total market force.

Kongsberg Defence Systems' development in the first half of 2017 confirms the strong position and growth opportunities of this business area. The order coverage for 2017 is very good, which provides the basis for some increase in the operating revenues in 2017. A higher order intake in the second half of the year is expected compared to the first half of the year.

Kongsberg Protech Systems has a strong market position with its product portfolio. Investment decisions in the remote weapon station market have generally taken longer time in recent years. KPS has a considerable long-term growth potential. Some increase in operating revenues is expected in the second half of the year compared to the first half, but no growth is expected for 2017 as a whole compared to 2016.

In 2017 the main focus for Kongsberg Digital is to continue building up and developing the business and developing future-oriented, digital solutions. No significant profit contribution is expected from KDI in 2017.

Kongsberg, 23 August 2017

The Board in Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KOG	**2017**			2016					2015				
MNOK	**2017**	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**7 454**	3 733	3 721	**15 845**	3 952	3 428	4 125	4 340	**17 032**	4 567	4 009	4 222	4 234
EBITDA	**546**	207	339	**1 217**	334	(40)	515	408	**1 784**	493	419	386	486
EBITDA %	**7,3**	5,5	9,1	**7,7**	8,5	(1,2)	12,5	9,4	**10,5**	10,8	10,5	9,1	11,5
New orders	**5 986**	2 535	3 451	**14 319**	3 012	4 067	3 491	3 749	**15 238**	2 887	3 388	3 993	4 970
Order backlog	**15 308**	15 308	16 672	**16 914**	16 914	17 858	18 069	18 718	**19 597**	19 597	21 059	21 439	22 033
EBITA	**369**	120	249	**835**	220	(125)	422	318	**1 405**	387	320	299	399
EBITA %	**5,0**	3,2	6,7	**5,3**	5,6	(3,6)	10,2	7,3	**8,2**	8,5	8,0	7,1	9,4

KM	**2017**			2016					2015				
MNOK	**2017**	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**3 737**	1 969	1 768	**8 597**	2 059	1 849	2 294	2 395	**10 197**	2 696	2 487	2 458	2 556
EBITDA	**222**	69	153	**280**	69	(255)	216	250	**1 109**	232	328	200	349
EBITDA %	**5,9**	3,5	8,7	**3,3**	3,4	(13,8)	9,4	10,4	**10,9**	8,6	13,2	8,1	13,7
New orders	**3 973**	1 813	2 160	**7 940**	1 156	1 957	1 943	2 884	**9 441**	1 798	2 300	2 409	2 934
Order backlog	**5 197**	5 197	5 519	**5 137**	5 137	5 952	6 666	7 002	**6 791**	6 791	7 485	7 412	7 751
EBITA	**135**	26	109	**95**	17	(293)	170	201	**909**	178	271	155	305
EBITA %	**3,6**	1,3	6,2	**1,1**	0,8	(15,8)	7,4	8,4	**8,9**	6,6	10,9	6,3	11,9

KDS	**2017**			2016					2015				
MNOK	**2017**	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**2 592**	1 227	1 365	**4 336**	1 194	897	1 089	1 156	**4 149**	1 083	908	1 117	1 041
EBITDA	**391**	204	187	**801**	273	169	217	142	**695**	283	131	153	128
EBITDA %	**15,1**	16,6	13,7	**18,5**	22,9	18,8	19,9	12,3	**16,8**	26,1	14,4	13,7	12,3
New orders	**1 080**	411	669	**3 819**	1 206	1 516	712	385	**3 310**	542	832	934	1 002
Order backlog	**6 579**	6 579	7 394	**8 076**	8 076	8 124	7 481	7 861	**8 622**	8 622	9 163	9 238	9 425
EBITA	**323**	172	151	**669**	239	135	184	111	**590**	260	101	126	103
EBITA %	**12,5**	14,0	11,1	**15,4**	20,0	15,1	16,9	9,6	**14,2**	24,0	11,1	11,3	9,9

KPS	**2017**			2016					2015				
MNOK	**2017**	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**824**	385	439	**2 096**	559	506	472	559	**1 777**	600	392	416	369
EBITDA	**(18)**	(44)	26	**126**	23	24	20	59	**227**	62	3	148	14
EBITDA %	**(2,2)**	(11,4)	5,9	**6,0**	4,1	4,7	4,2	10,6	**12,8**	10,3	0,8	35,6	3,8
New orders	**512**	157	355	**1 705**	441	433	608	223	**1 576**	381	142	271	782
Order backlog	**2 602**	2 602	2 829	**2 912**	2 912	3 036	3 124	2 989	**3 325**	3 325	3 541	3 790	3 935
EBITA	**(36)**	(53)	17	**89**	13	16	10	50	**177**	50	(9)	135	1
EBITA %	**(4,4)**	(13,8)	3,9	**4,2**	2,3	3,2	2,1	8,9	**10,0**	8,3	(2,3)	32,5	0,3

CONDENSED INCOME STATEMENT

		1.4. - 30.6.		1.1. - 30.6.		
MNOK	Note	**2017**	2016	**2017**	2016	2016
Revenues	3	**3 733**	4 125	**7 454**	8 465	15 845
Operating expenses	6	**(3 571)**	(3 696)	**(6 978)**	(7 647)	(14 858)
Share of net income from joint arrangements and associated companies	4	**45**	86	**70**	105	230
EBITDA	3, 10	**207**	**515**	**546**	**923**	**1 217**
Depreciation		**(87)**	(90)	**(177)**	(180)	(360)
Impairment		**-**	(3)	**-**	(3)	(22)
EBITA	3, 10	**120**	**422**	**369**	**740**	**835**
Amortisation		**(29)**	(39)	**(58)**	(74)	(140)
Impairment		**-**	-		-	(3)
EBIT	10	**91**	**383**	**311**	**666**	**692**
Net financial items	5	**(19)**	(19)	**(51)**	(3)	37
Earnings before tax (EBT)		**72**	**364**	**260**	**663**	**729**
Income tax expence	9	**(9)**	(58)	**(50)**	(130)	(78)
Earnings after tax		**63**	**306**	**210**	**533**	**651**
Attributable to:						
Equity holders of the parent		**63**	305	**210**	533	653
Non-controlling interests		**-**	1	**-**	-	(2)
Earnings per share (EPS)/EPS diluted in NOK		**0,53**	2,54	**1,75**	4,44	5,44

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		1.4. - 30.6.		1.1. - 30.6.		
MNOK	Note	**2017**	2016	**2017**	2016	2016
Earnings after tax		**63**	306	**210**	533	651
Comprehensive income for the period:						
Items to be reclassified to profit or loss in subsequent period:						
Change in fair value, financial instruments:						
- Available-for-sale shares		**-**	(51)	**-**	(7)	(104)
- Cashflow hedges (currency futures and interest rate swaps)	5	**240**	142	**224**	836	1 063
Tax effect cash flow hedges (currency futures and interest rate swaps)		**(58)**	(35)	**(54)**	(209)	(273)
Translation differences and hedge of net investments (currency)		**72**	(22)	**166**	(149)	(266)
Total items to be reclassified to profit or loss in subsequent periods		**254**	**34**	**336**	**471**	**420**
Items not to be reclassified to profit or loss:						
Actuarial gains/losses pensions		**-**	-	**-**	-	20
Income tax on items remaining in equity		**-**	-	**-**	-	(5)
Total items not to be reclassified to profit or loss		**-**	**-**	**-**	**-**	**15**
Comprehensive income for the period		**317**	**340**	**546**	**1 004**	**1 086**

CONDENSED STATEMENT OF FINANCIAL STATUS

MNOK	Note	30.6. 2017	31.3. 2017	31.12. 2016
Property, plant and equipment		**2 725**	2 735	2 723
Intangible assets	6	**2 780**	2 772	2 746
Shares in joint arrangements and associated companies	4	**3 175**	3 229	3 174
Other non-current assets		**277**	260	264
Total non-current assets		**8 957**	**8 996**	**8 907**
Inventories		**4 948**	4 804	4 666
Trade receivables		**1 811**	2 383	2 436
Construction contracts in progress, asset		**2 197**	2 107	2 049
Other current assets		**886**	1 000	1 250
Cash and cash equivalents		**2 257**	2 192	1 888
Total current assets		**12 099**	**12 486**	**12 289**
Total assets		**21 056**	**21 482**	**21 196**
Issued capital		**982**	982	982
Retained earnings		**6 142**	6 393	6 218
Fair value of financial instruments		**(339)**	(521)	(509)
Non-controlling interests		**33**	33	34
Total equity		**6 818**	**6 887**	**6 725**
Long-term interest-bearing loans	5	**3 342**	3 341	3 820
Other non-current liabilities and provisions	2	**1 856**	1 832	1 830
Total non-current liabilities and provisions		**5 198**	**5 173**	**5 650**
Construction contracts in progress, liabilities		**3 386**	3 398	2 847
Short-term interest-bearing loans	5	**557**	749	263
Other current liabilities and provisions	2	**5 097**	5 275	5 711
Total current liabilities and provisions		**9 040**	**9 422**	**8 821**
Total equity, liabilities and provisions		**21 056**	**21 482**	**21 196**
Equity ratio (%)		**32,4**	32,1	31,7
Net interest-bearing liabilities		**1 642**	1 898	2 195

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK	30.6. 2017	31.3. 2017	31.12. 2016
Equity opening balance	**6 725**	6 725	6 127
Comprehensive income accumulated	**546**	229	1 086
Dividends	**(450)**	-	(510)
Treasury shares	**(2)**	(66)	5
Reversal of previous year's impairment	**-**	-	22
Dividends non-controlling interests	**-**	-	(3)
Change in non-controlling interests	**(1)**	(1)	(2)
Equity, closing balance	**6 818**	**6 887**	**6 725**

CONDENSED CASH FLOW STATEMENT

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
Earnings before interest, tax, depreciation and amortisation	**207**	515	**546**	923	1 217
Change in net current assets and other operating related items	**619**	(451)	**800**	(971)	(408)
Net cash flow from operating activities	**826**	**64**	**1 346**	**(48)**	**809**
Acquisition/disposal of property, plant and equipment	**(89)**	(185)	**(179)**	(374)	(613)
Acquisition/disposal of subsidiaries and joint arrangement and associated companies	**-**	(2 664)	**-**	(2 686)	(2 786)
Net payment for the acquisition/disposal of available-for-sale-shares	**(6)**	139	**(6)**	139	317
Other investing activities including capitalised internally financed development	**(47)**	(47)	**(101)**	(79)	(261)
Net cash flow from investing activities	**(142)**	**(2 757)**	**(286)**	**(3 000)**	**(3 343)**
Net change in interest bearing loans	**(184)**	3 248	**(184)**	3 248	3 252
Net interests received (paid)	**(28)**	(10)	**(57)**	(17)	(60)
Net payments for the acquisition/disposal of treasury shares	**48**	33	**(18)**	(12)	(12)
Transactions with non-controlling interests	**-**	-	**-**	-	(3)
Dividends paid to equity holders of the parent	**(450)**	(510)	**(450)**	(510)	(510)
- of which dividends from treasury shares	**2**	1	**2**	1	1
Net cash flow from financing activities	**(612)**	**2 762**	**(707)**	**2 710**	**2 668**
Effect of changes in exchange rates on cash and cash equivalents	**(7)**	(1)	**16**	(33)	(53)
Net change in cash and cash equivalents	**65**	**68**	**369**	**(371)**	**81**
Cash and cash equivalents opening balance	**2 192**	**1 368**	**1 888**	**1 807**	**1 807**
Cash and cash equivalents closing balance	**2 257**	**1 436**	**2 257**	**1 436**	**1 888**

NOTE 1 | GENERAL INFORMATION AND PRINCIPLES

The consolidated interim financial statements for Q2 (interim financial statements) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

The interim financial statements have been prepared in accordance with IAS 34 (Interim reporting), stock regulations and the additional requirements of the Securities Trading Act. The interim financial statements do not cover all information that is required in a full financial statement, and it should be read in relation to the consolidated financial statements for 2016 and the interim financial statements for Q1 2017. The consolidated financial statements for 2016 were prepared in accordance with the Norwegian Accounting Act and international financial reporting standards (IFRS) that have been determined by the EU. In the interim financial statements, KONGSBERG have applied the same accounting principles that were described in the consolidated financial statements for 2016.

The consolidated financial statements for 2016 are available on www.kongsberg.com.

The interim condensed financial statements have not been audited.

NOTE 2 | ESTIMATES

Preparing the interim financial statements involves assessments, estimates and assumptions that affect the use of accounting principles and posted amounts for assets and obligations, revenues and expenses. Actual results may deviate from these estimates. The most important assessments in using the Group's accounting principles, and the biggest sources of uncertainty, are the same as when the consolidated financial statements for 2016 were prepared.

NOTE 3 | SEGMENT INFORMATION

	OPERATING REVENUES					EBITDA					EBITA				
	1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016	**2017**	2016	**2017**	2016	2016	**2017**	2016	**2017**	2016	2016
KM	**1 969**	2 294	**3 737**	4 689	8 597	**69**	216	**222**	466	280	**26**	170	**135**	371	95
KDS	**1 227**	1 089	**2 592**	2 245	4 336	**204**	217	**391**	359	801	**172**	184	**323**	295	669
KPS	**385**	472	**824**	1 031	2 096	**(44)**	20	**(18)**	79	126	**(53)**	10	**(36)**	60	89
Other	**152**	270	**301**	500	816	**(22)**	62	**(49)**	19	10	**(25)**	58	**(53)**	14	(18)
GROUP	**3 733**	**4 125**	**7 454**	**8 465**	**15 845**	**207**	**515**	**546**	**923**	**1 217**	**120**	**422**	**369**	**740**	**835**

NOTE 4 | SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

Specification of movement on the line "Shares in joint arrangements and associated companies" 1 January to 30 June:

MNOK	Owner-ship	Carrying amount 1.1.17	Additions in the period	Dividends received in the period	Share of net income in the period [1]	Other items and comprehensive income in the period	Carrying amount 30.6.17
Patria Oyj	49,9 %	2 689	-	(148)	22	136	2 699
Kongsberg Satellite Services AS	50,0 %	332	-	(45)	47	-	334
Other		153	-	(13)	1	1	142
Total		**3 174**	**-**	**(206)**	**70**	**137**	**3 175**

[1] *The profit/loss from companies that are independent taxable entities, such as private companies, is included after amortisation and tax.*

NOTE 5 | FINANCIAL INSTRUMENTS

Loans and credit facilities

Short-term interest-bearing loans at the end of Q2 consist chiefly of the MNOK 257 bond loan KOG06 with maturity in Q3 of 2017, and a loan certificate issued in Q2 of MNOK 300 with maturity in Q4 2017. In Q2 the outstanding MEUR 53 in the bridge facility stemming from the purchase of shares in Patria Oyj was repaid.

Long-term loans:

			30.6.2017		31.3.2017		31.12.2016	
Amount in MNOK	*Forfall*	*Nominell rente*	*Nominelt beløp*	*Balanseført verdi*	*Nominelt beløp*	*Balanseført verdi*	*Nominelt beløp*	*Balanseført verdi*
Bond issue KOG07 - fixed interest rate	11.9.19	4,80 %	250	250	250	250	250	250
Bond issue KOG08 - floating interest rate	2.6.21	2,15 %	1 000	1 000	1 000	1 000	1 000	1 000
Bond issue KOG09 - fixed interest rate	2.6.26	3,20 %	1 000	1 000	1 000	1 000	1 000	1 000
Bond issue KOG10 - floating interest rate	5.3.20	1,79 %	550	550	550	550	550	550
Bond issue KOG11 - fixed interest rate	5.12.23	2,90 %	450	450	450	450	450	450
Bridge facility EUR - floating interest rate [2]			-	-	-	-	482	482
Other long-term loans [3]			74	74	76	76	75	75
Total long-term loans [1]			**3 324**	**3 324**	**3 326**	**3 326**	**3 807**	**3 807**
Syndicated credit facility (unused borrowing limit)	15.3.22		2 300		2 300		1 500	
Overdraft facility (unused)			500		500		500	

[1] *The difference between the carrying amount in the statement of financial status and amounts in this note is ascribable to the fair value of the interest swap agreement related to bond issue KOG07.*
[2] *The bridge facility was MEUR 160 on issue in May 2016. As of 31 March 2017, outstanding amount of MEUR 53 was reclassified to short-term liabilities. The bridge facility was fully repaid in April 2017.*
[3] *"Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.*

Forward exchange contracts and interest rate swaps

Fair value of balances classified as cash flow hedges is increased by MNOK 224[3] before tax in the period 1 January to 30 June 2017. Change in fair value of forward exchange contracts represents a reduction of MNOK 136 in the same period. The end of quarter spot prices were USD/NOK 8.40 and EUR/NOK 9.57.

Forward exchange contracts classified as cash flow hedges:

	Due in 2017		Due in 2018 or later		Total		
MNOK (before tax)	Value based on agreed exchange rates	Rair value at 30.6.17 [1]	Value based on agreed exchange rates	Fair value at 30.6.17 [1]	Value based on agreed exchange rates	Change in fair value from 31.12.16	Fair value at 30.6.17 [1]
EUR	656	(12)	5	-	661	(15)	(12)
USD	4 153	4	(34)	-	4 119	149	4
Other	(7)	-	-	-	(7)	2	-
Sum	**4 802**	**(8)**	**(29)**	**-**	**4 773**	**136**	**(8)**
Roll-over of currency futures [2]		(149)		(253)		148	(402)
Total	**4 802**	**(157)**	**(29)**	**(253)**	**4 773**	**284** [3]	**(410)**

[1] *Fair value is calculated as the difference between the spot price at 30.6.2017 and the forward prices on currency contracts.*

[2] *Carrying amount related to rollovers of cash flow hedges.*

[3] *The difference between these two the figures, i.e. MNOK 60, is ascribable to a change in the fair values of basis swaps and interest rate swaps.*

NOTE 6 | SELF-FINANCED DEVELOPMENT

Self-financed product maintenance, research and development recognised in profit and loss for the period:

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
Product maintenance	**67**	55	**153**	109	214
Research and development cost	**173**	204	**326**	406	793
Total	**240**	**259**	**479**	**515**	**1 007**

Self-financed development recognised in the balance sheet for the period:

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	**2017**	2016	**2017**	2016	2016
Self-financed development	**46**	47	**100**	79	262

The largest capitalised projects are related to the development of the JSM missile, weapon stations (including the MCT-30) and remote towers for airports, all of which are within the defence segment, and within the new integrated vessel solutions in KM called “Triangle”.

NOTE 7 | RELATED PARTIES

The Board is not aware of any changes or transactions in Q2 associated with related parties that in any significant way affects the Group’s financial position and profit for the period.

NOTE 8 | IMPORTANT RISK AND UNCERTAINTY FACTORS

The Group's handling of different types of risk is described in the annual report for 2016. No new serious risk and uncertainty factors have been uncovered this quarter.

NOTE 9 | TAX

Effective tax rate as of Q2 is calculated to 19.2 per cent. The main reason why the effective tax rate is lower than the tax rate on regular income, currently 24 per cent in Norway, is that the share of net income from associated companies is included after tax.

NOTE 10 | DEFINITIONS

KONGSBERG uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. Our definitions and explanations of these terms follow below.

EBITDA/EBITA/EBIT

KONGSBERG considers EBITDA/EBITA/EBIT to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortisation. KONGSBERG uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles, which are part of the financial statements for 2016. The same applies for EBITA and EBIT.

Net interest-bearing debt

Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents", "Long-term interest-bearing loans" and "Short-term interest-bearing loans".

Restructuring costs

KONGSBERG defines restructuring costs as salaries and social security tax upon termination of employment (such as severance and gratuity) in connection with workforce reductions. In addition comes house rent and related costs or one-time payments upon termination of leases before the lease expiry for areas that are being vacated, and certain other costs related to the restructuring processes.

Return on Average Capital Employed (ROACE)

ROACE is defined as 12 months rolling EBIT divided by 12 month average of book equity and interest-bearing debt.

Working capital

Working capital is defined as current assets deducted by cash and cash equivalents, non-interest bearing short-term debt, except payable tax, and financial instruments at book value. The definition has been changed as of Q2 2017.

STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

We hereby confirm that, to the best of our conviction, the H1 accounts for 1 January to 30 June 2017 have been prepared in compliance with IAS 34 - Interim Reporting, and that the information disclosed in the H1 accounts gives an accurate picture of the Group's assets, liabilities, financial position and performance as a whole, and gives an accurate picture of the information mentioned in §5-6, fourth subsection, of Norway's Securities Trading Act.

Kongsberg, 23 August 2017

Eivind Reiten
Chairman

Irene Waage Basili
Deputy Chairman

Martha Kold Bakkevig
Director

Morten Henriksen
Director

Anne-Grete Strøm-Erichsen
Director

Sigmund Ivar Bakke
Director

Elisabeth Fossan
Director

Helge Lintvedt
Director

Geir Håøy
President & CEO

NOTES

NOTES

NOTES

Kongsberg Gruppen ASA
Kirkegaardsveien 45
P.O. Box 1 000
3601 Kongsberg
P : (+47) 32 28 82 00
@ : office@kongsberg.com

kongsberg.com

WORLD CLASS
- THROUGH PEOPLE, TECHNOLOGY AND DEDICATION